



**Department of Energy**  
Western Area Power Administration  
Sierra Nevada Customer Service Region  
114 Parkshore Drive  
Folsom, California 95630-4710

JUL 28 2004

Dear Central Valley Project Preference Customers and Interested Parties:

On May 12, 2004, the proposed rates for the Central Valley and the California-Oregon Transmission Projects (COTP) and the Pacific Alternating Current Intertie (PACI) were published in the Federal Register Notice (69 FR 26370). The Western Area Power Administration (Western) described its proposed rates at the Public Information Forum on May 18, 2004. As part of its proposed rates, Western stated it would finalize the revenue requirements for the proposed rates on or before December 1, 2004, except for the rates for COTP and PACI transmission service. The COTP and PACI transmission service rates for the winter season will be finalized on or before December 15, 2004.

As part of the process of finalizing the revenue requirements for the proposed rates, Western has made a change to the revenue requirement for Component 1 of the rate formulas for Regulation and Frequency Response (Regulation), spinning and non-spinning reserve services. Western has removed the purchase costs from the revenue requirements for these three services. If Western incurs purchase costs for any of these three services, the appropriate revenue requirement will be adjusted as provided for in the proposed rates. The table below shows the revenue requirements for Component 1 of the rate formulas for the three services with and without the purchase costs.

**Revenue Requirements for Component 1**

<b>Service</b>	<b>Revenue Requirement with purchase costs</b>	<b>Revised Revenue Requirement without purchase costs</b>
Regulation	\$2,277,692	\$905,613
Spinning Reserve	\$1,486,554	\$1,303,796
Non-Spinning Reserve	\$1,135,530	\$1,132,125

Note: Further information regarding the revenue requirements for Component 1 for these three services is contained in the Rate Brochure for the proposed rates.

Western is continuing to refine the data contained in the revenue requirements of all of the proposed rates. If you have any questions regarding the change to the revenue requirements for Component 1 of the rate formulas for Regulation and spinning and non-spinning reserve services, please contact me at (916) 353-4453 or [DDietz@wapa.gov](mailto:DDietz@wapa.gov).

Sincerely,



Deb Dietz  
Rates Manager